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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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AZ CORP COMMISSION  
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Arizona Corporation Commission

**DOCKETED**

SEP 24 2004

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IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY, AN  
ARIZONA CORPORATION, FOR  
ADJUSTMENTS TO ITS RATES AND  
CHARGES FOR UTILITY SERVICE  
FURNISHED BY ITS WESTERN GROUP AND  
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-04-0650

**Motion to Require Supplemental  
Sufficiency Information, or in the  
Alternative, to Suspend the Rate  
Case Time Clock**

(Expedited Consideration Requested)

(Oral Argument Requested)

**I. Introduction.**

This proceeding is a rate case filed by Arizona Water Company for its Western Group of systems. Arizona Water's Application does not contain, even as an alternative, a proposal for inverted block rates (also called tiered rates). In each recent water rate order, the Commission has required inverted block rates. Staff contacted Arizona Water to advise them of this problem, but Arizona Water refused to prepare an inverted block rate design of its own.

The Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC" or "Commission") moves that the Commission require Arizona Water to submit an inverted tiered rate design as a condition of sufficiency under the Commission's rate case time-clock rule. In the alternative, Staff moves that the rate case time-clock be extended until such time as Arizona Water files an inverted block rate design. If both of these requests are denied, Staff moves that Arizona Water be ordered to file an inverted block rate design within 45 days after a sufficiency letter is filed in this docket.

1 **II. Arizona Water should be ordered to submit an inverted block rate design as a condition**  
2 **of sufficiency.**

3 As Arizona Water is well aware, the Commission has ordered inverted block rates in all recent  
4 water rate orders. Moreover, the Commission adopted inverted block rates for Arizona Water's  
5 Eastern Group only a few months ago. Decision No. 66849 at 26 (March 19, 2004). Arizona Water is  
6 therefore well aware of the Commission's strong policy in favor of inverted block rates.

7 As Commissioner Mundell stated when he strongly urged another large water company to  
8 submit an inverted block rate design:

9 It's been the historical perspective of this Commission to encourage  
10 conservation, and we do that by having the tiered rate system.... [T]hen if  
11 the tiered structure that the Staff has recommended you don't think is  
12 appropriate, have you come forth with a tiered rating structure that would,  
13 in fact, encourage conservation? I mean, ever since I've been on this  
14 Commission, we've been encouraging conservation by our rate  
15 structure.... Well, then, I suggest that you propose one that does work that  
16 encourages conservation and meets the goals that this Commission has  
17 established over the last four years.

18 Hearing Tr. at 28-33 in Docket WS-01303A-02-0867. Chairman Spitzer agreed, stating  
19 "Commission orders generally are going to provide for conservation and are going to provide for the  
20 price signals that you allude to.... [I]f that is the way the Commission order is going to end up  
21 ultimately, he would suggest your participation in finding the solution rather than simple opposition to  
22 what has been proposed by the Staff." *Id.* at 33-34. The Commissioner comments quoted above only  
23 underscore the importance the Commission places on inverted block rates. This state has a desert  
24 climate and is in the midst of a prolonged drought. The Commission has properly placed great  
25 emphasis on conservation measures, including conservation oriented rate designs. Such designs  
26 should be fully integrated into the rate case process, rather than being bolted on at the end as an  
27 afterthought.

28 Creating a successful inverted block rate proposal takes a great deal of time and attention.  
Arizona Water is the appropriate party to initiate such a proposal. Due to Arizona Water's experience  
with its systems and access to its data, an inverted block rate proposal from Arizona Water would be  
beneficial. Since the sufficiency process is designed to allow Staff to identify whether the applicant  
has provided adequate information for Staff to conduct its review and analysis of the application,

1 requiring an inverted block rate proposal from the Applicant is appropriate. In this era, an analysis of  
2 at least the possibility of inverted block rates is simply essential towards determining a rate design that  
3 incorporates all of the appropriate factors into a conservation-based framework.

4 Arizona Water will likely argue that requiring it to submit an inverted block rate design is  
5 equivalent to forcing it to abandon its argument for a single tier rate design. But Arizona Water will  
6 be free to argue for a single tier rate design. Staff simply wants Arizona Water to provide an inverted  
7 block rate design for Staff to analyze. Arizona Water can still argue that its single tier rate design is  
8 the superior alternative.

9 Arizona Water will undoubtedly argue that the Commission's rate case filing requirements do  
10 not contain a specific provision requiring that a water utility file inverted block rates. But these  
11 requirements provide that the "Commission may request that supplementary information in addition to  
12 that specifically required... be submitted by a utility either prior to or after a filing." A.A.C. R14-2-  
13 103(B) (5). The Commission's strong recent policy of requiring inverted block rates and the drought  
14 situation in this state make this is one of the rare cases where it is appropriate to add a sufficiency  
15 requirement after a rate application is filed. Accordingly, Staff requests that Arizona Water be ordered  
16 to submit an inverted block rate design as a condition of sufficiency.

17 **III. In the alternative, the rate case time clock should be extended until Arizona Water**  
18 **submits an inverted block rate design.**

19 In the event that the Commission elects not to require Arizona Water to file an inverted block  
20 rate design as a condition of sufficiency, then Staff requests that the rate case time clock be extended  
21 until such time as Arizona Water files such a proposal. For the reasons described above, Arizona  
22 Water should file an inverted block rate design. The Commission may extend the rate case time clock  
23 in extraordinary situations. A.A.C. R14-2-103(B) (11) (e) (ii). It should do so here. Arizona Water's  
24 action in completely ignoring recent Commission policy concerning inverted block rates is an  
25 extraordinary situation which warrants extending the rate case time clock. Further, events during the  
26 recent Arizona-American rate hearing also support extending the rate case time clock. During that  
27 hearing, Arizona-American agreed to provide its own inverted block rate design after the  
28 Commissioner comments quoted above. Arizona-American submitted its new rate design with its

1 closing brief. Staff then responded by presenting a counter-proposal in its reply brief. Submitting  
2 various rate designs after the close of the hearing posed numerous problems for the parties, the  
3 Administrative Law Judge and the Commission. These problems can be prevented in this case by  
4 extending the time clock until Arizona Water presents an inverted block rate design. In this way, no  
5 hearing will occur until Arizona Water's proposal is submitted and analyzed.

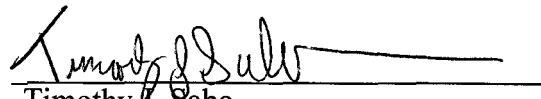
6 **IV. In the alternative, the Commission should order Arizona Water to submit an inverted**  
7 **block rate design within 45 days of sufficiency.**

8 If the Commission does not adopt either of the alternatives described above, then it should  
9 order Arizona Water to submit an inverted block rate design within 45 days of the filing of a letter of  
10 sufficiency. This alternative will allow Staff some time to review and analyze Arizona Water's  
11 proposal.

12 **V. Conclusion.**

13 Staff requests that the Commission order the relief or alternative relief described above. Staff  
14 also request that this matter be set for a procedural conference for oral argument at the earliest  
15 opportunity. The deadline for a sufficiency finding is October 10, 2004.

16 **RESPECTFULLY SUBMITTED** this 24<sup>th</sup> day of September 2004.

17  
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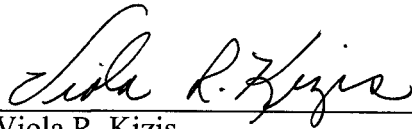
26 The original and thirteen (13) copies  
27 of the foregoing were filed this  
28 24<sup>th</sup> day of September 2004 with:

Docket Control  
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2 and faxed this 24<sup>th</sup> day of  
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